

**MINUTES  
REGULAR MEETING  
MINNEAPOLIS AUDIT COMMITTEE**

**September 19, 2012**

Committee Members Present: Council Members Diane Hofstede, Barbara Johnson, and Betsy Hodges; Minneapolis Park & Recreation Board Representative Mark Oyaas; Citizen Members Darrell Ellsworth and Stephanie Woodruff

Chair Hofstede called the meeting to order at 9:33 a.m. in Room 317, City Hall, a quorum being present.

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- 1. Adopt Agenda**
- 2. Accept Minutes of the Regular Meeting of August 29, 2012**

Hofstede moved adoption of the agenda and acceptance of the minutes.

Adopted upon a voice vote.

Absent - Johnson, Hodges.

### **New Business**

- 3. State of Minnesota/Office of State Auditor Management and Compliance Reports:**
  - a) City of Minneapolis**
  - b) Minneapolis Park & Recreation Board**

Stephanie Erickson, Office of the State Auditor, summarized the City of Minneapolis Management and Compliance Reports. In answer to committee questions relating to the lack of a built-in control in the journal entry process, she noted that Finance staff had developed a procedure within the COMPASS system to create a list of journal entries entered and posted by the same individual and would review that list on a monthly basis.

Rick Pietrick, Office of the State Auditor, reviewed the findings and recommendations relative to federal programs. In response to committee questions, he stated that Finance staff had indicated that they would work to develop queries to be used in the COMPASS system to create reports to identify vendors that are grant subrecipients and send an annual reminder of the subrecipient audit requirements to department heads. Internal controls were also reviewed as part of the audit.

Ms. Erickson also summarized the Minneapolis Park and Recreation Board reports which had been presented to the Minneapolis Park and Recreation Board in August.

Hofstede moved to receive and file the City of Minneapolis and Minneapolis Park and Recreation Board Management and Compliance Reports.

Adopted upon a voice vote.

- 4) Audit Committee Workshop Update:**  
**a) Receive and file Audit Committee Workshop Report**  
**b) Oral Report by Chair**

Hofstede moved to receive and file the Audit Committee Workshop Report.  
Adopted by unanimous consent.

Hofstede moved that staff be directed to schedule a Special Audit Committee meeting to focus on the issue of reaching consensus related to the future scope and focus of the City's Internal Audit function and to formulate that consensus into a recommendation to be formally acted upon at the next regular Audit Committee meeting for submission to the City Council for its consideration and action.

Adopted upon a voice vote.

### **Report of Internal Auditor**

- 5. Update on Audit Activities:**  
**a) Fleet Management Review Report**

Magdy Mossaad, Internal Auditor, summarized the Fleet Management Review Report.

In response to committee questions regarding Item 3, Fuel Dispensing Practices, Mr. Mossaad noted that currently there was no formal process to obtain fuel access. It was recommended that Fleet Services' management develop a formal authorization process for granting fuel access to personnel and send a list of active fuel users to supervisors for verification. No trend analysis was performed to determine which departments were heavy users. Whether charge-backs to the actual users were appropriate, Mr. Mossaad stated that inventory management was good, and they did not see a gap between what was received and what was billed.

Steve Kotke, City Engineer/Director of Public Works, stated that regarding Item No 4, Benchmarking Fleet Shop Rates, Public Works had disagreed with the recommendation of the Auditor. This is an Internal Service Fund which means that all costs in this area are recovered through the hourly shop rate. The department tracks and compares its hourly shop rate to outside shop rates. They bill on an hourly basis using the All Data System, also used by the private sector, to quantify how many hours it should take to perform a certain task.

Mr. Mossaad stated that there was a finding in the Fleet Management Review that might require a closed session. Peter Ginder, Deputy City Attorney, reviewed the finding and determined that a closed session was not necessary.

Mr. Mossaad explained that at one of the Fleet Management sites, a security camera was not updated or linked with the other cameras in the system. It was recommended that the camera be upgraded and included in the camera security system.

Hofstede moved to receive and file the Fleet Management Review and order the report published.

Adopted upon a voice vote.

**5b) Xcel Energy Review Report**

Magdy Mossaad summarized the Xcel Energy Review Report.

The committee discussed Findings No. 1 and 2 regarding Franchise Agreement Monitoring and the lack of a Certified Annual Statement.

Connie Griffith, City Controller, stated that the City was 23 years into the Xcel Energy Franchise Agreement. They will work with Xcel to provide more detailed backup with its monthly payments which will be reviewed by Finance staff to ensure payment calculations are correct. Because the detailed backup will be reviewed monthly and reconciled to the annual statement from Xcel, it was felt that an annual certified statement was unnecessary. The City does not receive certified statements from their other franchises and Ms. Griffith did not believe they were provided to any other city either.

Ellsworth moved that Finance and Property Management be directed to work with the City Attorney's Office to render an opinion going forward on the issue of Xcel Energy, Inc. providing the City with a statement, certified by the company's controller or another officer of the company, of the amount of the company's gross operating revenues for the preceding calendar year, and report back at the October 31, 2012 Audit Committee meeting.

Adopted upon a voice vote.

Hodges moved that the report be forwarded to the City Council with the recommendation that it be referred to the W&M/Budget Committee and directed that the report be published.

Adopted upon a voice vote.

**5c) Second Quarter 2012 Update on Management Action Plans**

Magdy Mossaad summarized the second quarter update.

The committee requested that at the next meeting Mr. Mossaad provide a listing of completed audits in which the City Council felt no action was required.

**5d) Status Update on 2012 Audit Plan**

Mr. Mossaad summarized the status of the 2012 Audit Plan. Two of the six reviews planned for 2012 were complete and the remaining four should be complete by year end.

**Adjournment**

The meeting adjourned at 11:00 a.m.

Submitted by: Peggy Menshek, Council Committee Coordinator/City Clerk's Office